

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2733

ANSWERED ON:17.03.2017

Food Inflation

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Will the Minister of FINANCE be pleased to state:

- (a) whether the food inflation in the country is much higher than the global average;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the supply of food items has remained weak due to poor irrigation and rural infrastructure, sub-optimal use of fertilizers and conversion of agricultural land into alternative uses in the country and if so, the details thereof;
- (d) whether the Government has initiated any assessment of the impact of demonetization on inflation; and
- (e) if so, the details thereof along with the steps taken/being taken by the Government to protect common man from high food inflation in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) & (b) Food inflation as measured by the Consumer Food Price Index (CFPI) in India was comparatively lower in the last six months as compared to the global food inflation based on the Food Price Index of Food and Agriculture Organization (FAO) (Table 1).

Table 1: Food inflation based on FAO Food Price Index and CFPI (in per cent)

	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
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FAO Food

Price

Index 10.1 8.8 10.8 11.0 16.9 17.2

CFPI 4.0 3.3 2.0 1.4 0.6 2.0

Source: Food and Agriculture Organization and Central Statistics Office.

(c) Overall supply of food items has been comfortable. As per the second advance estimates (2nd AE) of production of food grains 2016-17 released by Department of Agriculture, Cooperation and Farmers Welfare, the production of total food grains is estimated to increase to 271.98 Million Tonnes in 2016-17 as compared to 253.16 Million Tonnes in 2015-16 (2nd AE). Pulses production is estimated to increase to 22.14 Million Tonnes in 2016-17 as compared to 17.33 Million Tonnes in 2015-16 (2nd AE).

(d) & (e) As per the 'Macroeconomic Impact of Demonetisation – A Preliminary Assessment' of the Reserve Bank of India (RBI), the impact of demonetisation on inflation in the near-term stemmed mainly from moderation in food inflation, especially perishables, as inflation excluding food and fuel remained broadly unaffected. The Government has taken a number of measures to control inflation, especially food inflation. The steps taken, inter alia, include, (i) increased budgetary allocation for Price Stabilization Fund in the budget 2017-18 to check volatility of prices of essential commodities, in particular, of pulses; (ii) created buffer stock of pulses through domestic procurement and imports; (iii) announced higher Minimum Support Prices so as to incentivize production; (iv) issued advisory to States/UTs to take strict action against hoarding and black marketing under the Essential Commodities Act 1955 and the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980; (v) imposed 20 per cent duty on export of sugar; and (vi) reduced import duty on potatoes, wheat and palm oil.
